51847 3229

New York Metro Region Meeting

COMPETITIVE ACTIVITY

Source: https://www.industrydocuments.ucsf.edu/docs/flxy0000

RETAIL MASTERS 1995

- Minimal program changes vs. the '94 program
- Program requirements remain the same
- Address competitive temporary displays and advertising, (temporary displays in store more than 30 days counted as a permanent display
- In outlets with a 50% SOM or greater PM requires 90% space to share (during 1994 requirement was 60% of facing
- Package outlets - increase in payment cap from $421 to $605
- Carton outlets - no change to payment or structure
- Exclusive contracts remain a threat. Added a double Flex payment to exclusive retailers

Source: https://www.industrydocuments.ucsf.edu/docs/flxy0000

RETAIL MASTERS 1995

- **Flex payment rate change:**
  - **Non - exclusive accounts, flat 10 cents per carton rate**
  - Exclusive accounts, flat 20 cents per carton

During 1994 the Flex rate increased from 10 to 20 cents once the contract cap was reached. No Flex incentive for exclusive accounts.

Source: https://www.industrydocuments.ucsf.edu/docs/flxy0000

Package Outlet Merchandising Analysis

INDUSTRY WEEKLY CARTON VOLUME	76 CPW	76 - 99	100 - 149	150 - 199	200 - 249	250 - 292	293 - 355	356 - 420	421 - 510
BASE PROGRAMS									
PHILIP MORRIS (L2)		$147	$184	$251	$293	$349	$421	$504	$605
* PM VOL BASED									
* 2 F/P DISPLAYS									
* SAVINGS DISPLAY									
* PKG MERCHANDISER									
* FACINGS = SOM									
* SIGNAGE = SOM									
RJR BASE		$75	$110	$140	$160	$175	$175	$175	$175
* INDUSTRY VOL									
* FULL PRICE DISPLAY									
* SAVINGS DISPLAY									
* SIGNAGE									
B&W (GOLD LEVEL)		$27	$60	$90	$165	$210	$235	$235	$235
* B&W VOL BASED									
* 2 COUNTER DISPLAYS (added extra bays to existing display)						(GPC increases B&W sales)			
* FACING = SOM									
* SIGNAGE									
LORILLARD			$75	$75	$82.50	$82.50	$82.50	$82.50	$82.50
* INDUSTRY VOL									
* FULL PRICE DISPLAY									
* SAVINGS DISPLAY									
* LIGHT THIEF									
* CLOCK									

PM VOLUME CALCULATED AT 50% SOM

B&W NUMBERS INCLUDE ATC VOL / SOM FOR A COMBINED TOTAL OF 16% SOM

Source: https://www.industrydocuments.ucsf.edu/docs/fixy0000

RJR RESPONSE:

- TOTAL CATEGORY MANAGEMENT
- BUILDS BUSINESS FOR THE ENTIRE CIGARETTE CATEGORY NOT JUST FOR PHILIP MORRIS.
- IT'S BEST FOR THE RETAILERS AND HIS CUSTOMERS
- WE CAN'T BE DISADVANTAGED.
- WE SUPPORT COEXISTENCE.

Source: https://www.industrydocuments.ucsf.edu/docs/fkxy0000

STRATEGY TO DEFEND CURRENT PRESENCE

- Contact major independents to discuss the PM exclusive program and it's disadvantages
- Sell retailers on coexistence to maximize SALES, RDA's and promotional programs.
- Present total value of promotions available to retailer
- Take advantage of display placements previously occupied by ATC using semi-permanent full price and savings displays
- RJR aligning with the PM program provides maximum dollars and support up to 80% of total category sales.
- Educate retailers of category importance to overall sales:
  - exclusivity is best for PM, not for the retailer and his customers
  - exclusivity means fewer promotions
  - retailer - competitive disadvantage
  - dissatisfied customers

Source: https://www.industrydocuments.ucsf.edu/docs/flxy0000